

Grants Management Overview
Of Fiscal Requirements for
Frederick County Local Management Board
Grants and Subgrant Recipients

What is the Role of the Frederick County Local Management Board and the Office for Children and Families in the Fiscal Management of Grants and Subgrants?

The Frederick County Office for Children and Families (OCF) is a department within the Citizens Service Division of Frederick County Government that manages the fiscal activities of the Frederick County Local Management Board (LMB).

What are some of the primary functions of the Office for Children and Families?

Primary functions of the Office for Children and Families are:

- To ensure that the funds awarded to grant and subgrant recipients are properly managed and
- To support the efforts of the LMB and its grant and subgrant recipients as they work to meet and exceed accounting and grants management compliance standards .

What methods are used to by OCF to serve these functions?

These functions are served through the provision of:

- Targeted planning
- Oversight
- Monitoring
- Technical assistance

What Accounting Standards Should be followed?

There are a number of Accounting Standards and resources about which grant and subgrant recipients should be aware.

It is important to recognize that the same standards that apply to the LMB also apply to the recipients of LMB awards.

Grant and subgrant recipients should be familiar with and apply the standards outlined in The State of Maryland Policies and Procedures Manual for Local Management Boards.

The State of Maryland Policies and Procedures Manual for Local Management Boards is to be followed in addition to any requirements that are provided in

- The OCF Policies and Procedures manual
- The official agreement between the recipients of the LMB awards, OCF, and the LMB.

A copy of The State of Maryland Policies and Procedures Manual for Local Management Boards (LMB Manual) is available through the INTERNET at the following web address:
<http://www.ocyf.state.md.us/>.

From the LMB Manual:

“The LMB must maintain records on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) or Generally Accepted Governmental Accounting Principles (GAGAP) except as otherwise provided in this Manual.” (page 59)

The State of Maryland Policies and Procedures Manual for Local Management Boards, July 10, 2006

What is an LMB award recipient's relationship to the Children's Cabinet and the Governor's Office for Children

The Children's Cabinet / the Governor's Office for Children (GOC) has rights and access to all LMB/OCF records and the records of the recipients of LMB awards.

These transactions are termed Related Party Transactions.

The Children's Cabinet/Governor's Office for Children requires that transactions of organizations associated with or controlled by the LMB/OCF be disclosed to the Children's Cabinet/Governor's Office for Children.

These transactions are potentially subject to additional review by GOC to determine the propriety of transactions.

What Cost Principles are to be followed?

OCF and the LMB have adopted the cost principles outlined by the federal government's Office of Management and Budget (OMB). Depending on entity type, recipients of LMB awards are to follow the cost principles outlined in:

- 2 CFR Part 225 Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87),
- 2 CFR Parts 215 and 220 Cost Principles for Educational Institutions (OMB Circular A-21), or
- 2 CFR Part 230 Cost Principles for Non-Profit Organizations (OMB Circular A-122)

***except as otherwise provided in this Manual or within the official agreement between the recipients of LMB awards, OCF and the LMB.*

A copy of the OMB Circular is available through the INTERNET at the following web address:

<http://www.whitehouse.gov/OMB/circulars>

Are there other cost principles specific to OCF and the LMB?

OCF also applies all cost principles outlined in:

The State of Maryland Policies and Procedures Manual for Local Management Boards (LMB Manual) except as otherwise provided in this Manual or within the official agreement between the recipients of LMB awards, OCF, and the LMB.

A copy of LMB Manual is available through the INTERNET at the following web address: <http://www.ocyf.state.md.us/>.

Recipients of LMB awards should consult the OMB circulars and the LMB Manual to determine if costs are:

- Reasonable
- Direct or Indirect
- Allocable
- Allowable or Unallowable

What are Reasonable Costs?

Reasonable costs are costs that are considered reasonable in type and amount and demonstrate an appropriate use of grant/subgrant dollars.

Grant/subgrant recipients should be able to demonstrate that expenses posting to grant awards are reasonable, necessary and beneficial to the program or initiative being served.

What are Direct Costs?

Direct costs are costs that clearly benefit the program/service for which the grant/subgrant funds were awarded. Direct costs are associated with the direct performance of grant activities.

Additional details should be added to back-up documentation (as needed) to ensure that the link to the grant/subgrant initiative is clear to outside fiscal/programmatic monitors.

What are Allocable Costs?

Allocable Costs are costs that have been incurred specifically for the award, all or in part. These costs are to be recorded according to their relative benefit to the grant.

Grant and subgrant recipients should ensure that all expenditures recorded against an award are allocable to that grant/award.

What are Allowable Costs?

Allowable Costs are expenditures that are allocable, necessary, reasonable, treated consistently as direct or indirect costs and are incurred in a manner consistent with the grant/subgrant agreement.

To be allowable, expenditures must be adequately documented and be consistent with grant/subgrant recipient policies, regulations and procedures.

What Fiscal Year/Funding Period is applied To grants and subgrants?

The fiscal year for Frederick County Government is July 1 through June 30. While grant funding periods generally follow the county fiscal year, an award grantor/ grant originator may specify an alternate funding period.

Funding periods will be specifically indentified in all agreements between the LMB and its grantors and the LMB and its grant/subgrant recipients to ensure proper administration of awards.

It is important for grant/subgrant recipients to be aware of the award period and to ensure that ALL expenses recorded to the grant/subgrant benefit that grant/subgrant DURING the specified award period.

How are Budgets developed and managed?

Grant/Subgrant recipients are required to provide budgets for each award received through the LMB.

The budget is a tool through which the fiscal equivalent of an action plan is communicated.

These detailed spending plans outline the projected personnel and operating expenses that will be incurred as the award recipient implements its plan to meet the programmatic objectives of the award.

How should the budget be applied and evaluated throughout the award period?

Throughout each award period, the budget should be used as a tool for monitoring and controlling financial activity.

It is recommended that actual expenses be evaluated against the budget on a quarterly basis at minimum.

Comparing actual results against the budget plan allows grant/subgrant recipients to make adjustments in spending or to the budget itself when and as needed.

The budget can also be a solid foundation for budgets in future periods and is valuable for evaluating the accuracy of planning assumptions.

What is the Grant/Subgrant Budget proposal and review process for OCF/the LMB?

Grant/Subgrant Budget Proposals are reviewed during the award and renewal processes.

OCF staff review proposed budgets for reasonableness and consistency with the programmatic objectives of the award.

OCF seeks to identify concerns during the review of the budget to avoid disallowance during the award period.

Budget proposals should tie to agreement documents and the accepted proposal documents.

Any deviation from agreement documents and the accepted proposal documents should be specifically identified in the budget with separate approvals obtained and maintained by the recipient of the LMB award.

What if an agreement has not be completely finalized by the time a budget is due for submission?

If the finalized proposal documents or agreement documents are not available to consult prior to the budget proposal due date, an extension can be requested or a budget may be proposed with the understanding that it may need to be modified when the finalized proposal documents or agreement documents become available.

Deviation from the final approved proposal or agreement documents may result in findings during the monitoring process.

What are the steps in the Budget Proposal Process?

- 1) OCF requests that a proposed budget be submitted by the grant/subgrant recipient on a template provided by OCF.
- 2) The grant/subgrant recipient enters the projected budget amounts by line into the budget template.

The numbers input into the budget template must:

- *Reflect the budget that is (or will be) loaded into the grant/subgrant recipient's accounting system and;*
- *Tie to the contents of the agreement between OCF and the grant/subgrant recipient.*

3) A detailed budget narrative page must be included with each proposed budget.

- *The budget narrative should include a written explanation for each budget line that details the activities to be expensed through that budget line.*

- *If any of the expenses are the result of shared costs between departments, the associated Cost Allocation and/or Indirect Cost Plan(s) should be described in the narrative.*

Documentation demonstrating the calculations behind the Cost Allocation and/or Indirect Cost Plan(s) should also be provided with the Proposed Budget.

- 4) Grant/subgrant recipient reviews the budget information for completeness and accuracy.
- 5) The completed budget must be signed by the grant/subgrant recipient's director in blue ink.
- 6) The finalized document is forwarded to OCF for review. It is recommended that two originals be provided. This allows both OCF and the grant/subgrant recipient have originals on file.
- 7) Upon receipt of a signed Proposed Budget, OCF reviews the budget and once approved, OCF countersigns the budget.

A signed original (or a copy of the countersigned budget if a second original is not available) is sent to the grant/subgrant recipient for their records. One original is maintained at OCF.

8) It is then the grant/subgrant recipient's responsibility to establish the budget in the accounting system of the grant/subgrant recipient.

The budget should be loaded in a way that allows expenses to be tracked by approved budget categories and for the accounting system to generate the required reports.

What is a Budget Modification?

A Budget Modification is a revised budget, which restates the original budget and incorporates line item changes desired by either the grant/subgrant recipient or OCF to achieve a new budget.

A budget modification does not generally affect the total amount of an OCF award.

When are Budget Modifications Required?

Budget modifications are required when:

- Funds are moved from Administration to Service or from Service to Administration.

- Adjustments cross the broader categories of Personnel dollars shifting to Operating or Operating shifting to Personnel.

- Adjustments between budget lines are over 5% of the total budget.

*** A dollar amount limitation is being consider to minimize the modification requirement – this detail will be finalized at the release of the updated policies and procedures manual.*

- Finally, budget modifications are required when a new budget category is being added to the grant/subgrant recipient's budget.

The final deadline for budget modifications is 60 days prior to the end of the award period.

What are the steps of the Budget Modification Process?

It is recommended that the grant/subgrant recipient discuss the need for a budget modification with OCF's Fiscal Manager before submission.

- 1) The grant/subgrant recipient requests and discusses the budget modification with the OCF Fiscal Manager.
- 2) The OCF Fiscal Manager provides an electronic budget modification form. The grant/subgrant recipient enters the appropriate number into the budget modification form (determined by whether this is the first, second etc modification).

- 3) The grant/subgrant recipient enters their original budget and modified budgets into the appropriate fields on the budget modification form. The grant/subgrant recipient should verify that the numbers in the change column of the form have been calculated correctly.

The numbers input into the budget template must:

- *Reflect the budget that is (or will be) loaded into the grant/subgrant recipient's accounting system and;*
- *Tie to the contents of the agreement between OCF and the grant/subgrant recipient.*

- 4) A detailed budget narrative page must be included with each proposed budget. The rationale for the change should be evidenced in the narrative.

- 5) Grant/subgrant recipient reviews information for completeness and accuracy.
- 6) The completed budget modification must be signed by the grant/subgrant recipient's director in blue ink.
- 7) The finalized document is forwarded to OCF for review. It is recommended that two originals be provided. This allows both OCF and the Grant/Subgrant recipient have originals on file.
- 8) Upon receipt of a signed Proposed Modified Budget, OCF reviews the budget and once approved, OCF countersigns the budget.
- 9) A signed original (or a copy of the countersigned budget if a second original is not available) is sent to the grant/subgrant recipient to be kept on record. One original is maintained at OCF.

- 10) It is then the grant/subgrant recipient's responsibility to establish the budget in the accounting system of the grant/subgrant recipient. The budget should be loaded in a way that allows expenses to be tracked by approved budget categories and for the accounting system to generate the required reports.

The grant/subgrant recipient will be contacted by OCF/the LMB within 30 days of receipt of the request with recommendations to improve the request or the actual approval.

A budget modification, when signed by both parties, supersedes the original budget or any prevailing budget and becomes a part of the grant/subgrant agreement.

What Income Principles are observed?

The LMB/OCF follows the income principles prescribed by the Children's Cabinet/GOC and applies the same principles in the administration of its grant/subgrant awards.

The policies discussed in this presentation address both the Children's Cabinet award and all other income, and reviews the relationship among income types.

Income Reporting and Recording - All income resulting from, earmarked for, or allocated to the operation or proposed operation of a grant/subgrant project are to be identified in budgets and year-end fiscal reports.

Order of Utilization Requirements - All non-restricted income is to be applied before grant/subgrant funds are used. Grant funds cannot be used to supplant income from other sources.

Restricted Funds – Grant/subgrant recipients may receive funds from sources other than the grant that meet needs of the grant, but that have been designated by the funding source to be used for specific purposes. These funds are called restricted funds.

The grant/subgrant recipient may access grant dollars prior to spending all restricted dollars except in categories/budget lines where the designated funds are intended to serve the same purpose as grant funds.

For those categories/budget lines where the restricted and grant funds serve the same purpose, the non-grant dollars must be spent first (see Order of Utilization).

Funds are restricted when their intended use is prescribed by the contributing source.

They can also be restricted by the grant/subgrant recipient as they define the purpose of the funds within their Proposed Budgets and Budget Modifications.

Maximum Funding -The award figure stated in the agreement between the grant/subgrant recipient and the LMB/OCF is the maximum amount of funding for which the LMB/OCF can be responsible, unless there is a formal amendment.

Funding Reductions - GOC, on behalf of the Children's Cabinet or the LMB/OCF may reduce an award.

Generally, the reasons an award may be reduced include, but are not limited to:

- Delay in developing a new program
- Failure to meet service targets
- Reduction in the scope of services to be delivered
- Cutback in appropriations
- Request of the LMB
- Failure to comply with the terms and conditions of the agreement.

Can an award be terminated?

Yes, an award may be terminated with or without cause.

Final Payment - In the event of termination, OCF will be responsible for the payment of final expenditures for budgeted activities pending the receipt of final reports and reclamation of assets.

Final Report - Upon termination, the grant/subgrant recipient must submit a final report of receipts and expenditures within 45 days after the effective date of termination.

If money is due to the LMB/OCF, a check in the full amount due should accompany the report.

What is Earned Reinvestment?

Earned Reinvestment dollars are dollars “earned” by the LMB/OCF from State General Funds based on a GOC implemented administrative savings calculation. Earned reinvestment dollars are also obtained through the accumulation of interest income earned on grant revenue funded in advance of expenditure.

Earned Reinvestment dollars are available to the LMB/OCF to fund select programs with specific approval from the Children’s Cabinet through GOC.

What are some Earned Reinvestment Plan Options?

Earned reinvestment funds may be used for (this list is not exhaustive):

- Enhancement of initiatives previously approved by the Children’s Cabinet
- Community outreach
- Training and technical assistance needs
- Leveraging and/or maximizing other public or private funding sources
- Other approved initiatives.

As directed by GOC, the LMB and its grant/subgrant recipient will be required to submit a new/revised Performance Measures Table for strategies funded with earned reinvestment dollars.

The Performance Measures Tables are incorporated as appropriate into the agreement between GOC and the LMB/OCF and between the LMB/OCF and the Grant/Subgrant recipient.

What process is followed for Earned Reinvestment Funding/Award Requests?

Requests for earned reinvestment funding/awards are presented to the Governor's Office for Children by the LMB/OCF on the behalf of its grant/subgrant recipient.

The request originates with the grant/subgrant recipient. The grant/subgrant recipient should discuss the request with the OCF Director in advance of the request's preparation.

The actual request must include:

- A detailed budget with budget narrative
- A rationale
- A spending plan
- Description of the scope of the program/project
- The target population to be served
- The goals/outcomes to be achieved.

The request will be finalized by the LMB/OCF and a final written request including a statement certifying that reinvestment dollars from the appropriate source(s) are available for the project(s) will be forwarded to GOC, for approval on behalf of the Children's Cabinet.

Response by GOC/the Children's Cabinet can generally be anticipated within 30 days.

Awards of Earned Reinvestment funding are not official until notification is received in writing.

Are there any limitation for Earned Reinvestment Plans?

Funds MAY NOT be expended until the LMB, on behalf of the Children's Cabinet/GOC, has provided plan approval.

Prior written approval must come from GOC and subsequently from the LMB/OCF if a grant/subgrant recipient desires to expend funds for purposes not approved in the current plan or in a manner different from the approved plan. Such changes require the submission of a new plan.

Earned reinvestment dollars also MAY NOT be used to supplant existing funding.

Requests for ongoing program funding or for salary expenses will require a concrete plan for future sustainability, such as a documented commitment from another entity to provide needed funding in the future.

A proposal to seek funding, investigate foundation grants, or other tentative action is not a valid sustainability plan. Ongoing programs are required to become self-sustaining.

Finally, earned reinvestment funds cannot be used for program expansion or to implement new programs that are not self-sustaining.

What are the Document Management expectations?

Grant/subgrant recipients are required to maintain financial records for five years after the conclusion of a fiscal year.

Relevant Documents include but are not limited to:

Fiscal reports submitted to OCF with supporting documentation

- Expense reports
- Time sheets
- Agreements between OCF and grantees/subgrantees
- Invoices
- Monitoring documents
- Spending authorizations
- Award notifications

What are the Purchasing/Procurement guidelines for grant/subgrant recipients?

Grant/subgrant recipients are expected to follow and apply the procurement standards outlined in Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, 2 CFR PART 215.40-215.48 (OMB CIRCULAR A-110).

Grant/subgrant recipients that are government entities must also apply any additional standards discussed in OMB Circular A-102.

A copy of the OMB Circular is available through the INTERNET at the following web address:

<http://www.whitehouse.gov/OMB/circulars>

What is the Reclamation of Asset policy for assets purchased with grant/subgrant dollars?

When county, state, or federal funds awarded through the LMB/OCF are used to purchase assets, the LMB/OCF may reclaim these assets, on the behalf of the funding agency.

The LMB/OCF retains the right to claim and dispose of any equipment, buildings or property that were purchased with funds provided through the LMB/OCF within three years of the date of grant termination or non-renewal or before the asset is considered fully depreciated (using IRS Guidelines on useful lives of assets) whichever is earlier.

Specific guidance pertaining to asset classification may be included in agreements between the LMB/OCF and grant/subgrant recipients as expectations may vary by funding source.

What are the Audit Requirements for Grant/Subgrant Recipients?

Each Grant/Subgrant recipient must have an annual audit performed by an independent certified public accountant. A copy of the Audited Financial Statement and Management letter are to be submitted to the LMB/OCF by no later than April 1st following the close of the fiscal year.

Are there any Special Audit Requirements?

There are special audit requirements for grant/subgrant recipients receiving greater than \$300,000 in OCF funds.

The audit of any grant/subgrant recipient receiving an aggregated sum in excess of \$300,000 in grant funds through OCF must include a separate schedule of revenues and expenses for OCF funds.

There are special audit requirements for grant/subgrant recipients providing services to more than one LMB.

The audit of any grant/subgrant recipient providing services to more than one LMB must include a separate schedule of revenues and expenses for OCF funds.

During the contract process, the grant/subgrant recipient must disclose any funding relationship with another LMB to ensure that special audit requirements can be discussed and will be met.

As part of the audit, this separate schedule is to be submitted to the LMB/OCF no later than the April 1st following the close of the fiscal year.

Request for Audit Waiver

Grant/subgrant recipients may request a waiver of the audit requirement. The requests will be presented in writing and will be addressed to the Director of OCF. The request should include the following information:

- Grant/subgrant recipient name
- Rationale for the waiver
- Purpose for which the funding was granted (services, purchase of equipment)
- Annual revenue of Grant/Subgrant recipient
- The “Administration rate” of the Grant/Subgrant recipient (i.e., percentage of grant/subgrant recipient’s total revenue that is dedicated to administrative functions)

The request will be forwarded to the appropriate county, state, or federal agency by the OCF Director. Acceptance of the waiver is not assumed and is only made official by written notification.

What are Cost Allocations and Cost Allocation Plans?

A grant/subgrant recipient may find that certain activities benefit more than one grant or project within its agency. The grant/subgrant recipient may opt to directly allocate portions of costs to the benefiting grants/projects using a supportable basis for the calculation. This supportable basis for portioning costs is a cost allocation plan.

When a cost allocation plan is to be applied to a grant, the plan(s) must be included in the grant/subgrant recipient's budget. The grant/subgrant recipient is to provide a description of the cost allocation method(s) applied in the narrative portion of budget documents. A copy of the actual cost allocation plan(s) must also accompany the budget.

As the grant/subgrant recipient develops the plan, it is critical that the preparer ensure that the organization-wide financial records are used and tie to the numbers shown in the final cost allocation plan. Validation of this representation can be an expected part of the budget approval and/or monitoring process.

Cost Allocation Process Summary

1. Cost Allocation plans should be developed to support the distribution of costs that are shared by multiple grants, contracts, project functions or activities.
2. Grant/subgrant recipients using a cost allocation plan to determine the allocation of expenses should develop and maintain the plan with the support of appropriate schedules and other documentation. Documentation should sufficiently demonstrate that the basis is reasonable and able to be tested, evaluated and accepted by a Fiscal Monitor.
3. Cost Allocation plans/the basis of allocation should be consistent and applied uniformly to like transactions throughout the organization. Inconsistent methodology may result in possible partial or total disallowance of common costs allocated to OCF programs. Common costs could include administrative costs, salaries, data processing services, utilities, telephones, office supplies, insurance, accounting and audit fees.

What are Indirect Costs/Indirect Cost Rates?

Indirect costs are costs that cannot be clearly assigned to a particular grant, contract, project function or activity but that are considered necessary for the general operation of an organization.

Costs such as heat, light, and accounting may be charged directly to a particular grant, contract, project function or activity if sufficient detail is available to track time and usage levels. However, obtaining, tracking and managing this level of detail may not be practical.

OCF accepts federally approved Indirect Cost Rates from is grant/subgrant recipients as a means of recovering general administrative costs.

For OCF grant/subgrant recipients that do not have a federally approved Indirect Cost Rate, OCF can review and approve grant/subgrant recipient Cost Allocation plans as a means of recovering general and administrative costs.

How should the Time Allocations of Personnel serving under Multiple Projects be managed?

Employees that work under multiple projects must formally prepare activity reports that provide detail of the distribution of actual hours worked on each project by day for the pay period.

The reports must account for the total activity for which the employee is to be compensated.

These activity reports must be maintained by the grant/subgrant recipient to support the allocation of time to the multiple grants for that pay period for future reviews.

These activity reports should be reviewed by supervisory personnel against the payroll entries. Supervisory personnel should certify the allocation for accuracy by providing approval.

Grant/subgrant recipient accounting staff is encouraged to conduct periodic self audits to ensure that proper payroll processing procedures are being followed.

Are there Accounting Policy Documentation requirements for Grant/Subgrant Recipients?

Each grant/subgrant recipient is required to have a written accounting manual/policies and procedures. The manual should establish policies and procedures that ensure that sufficient systems are in place to monitor and record funds received, held and expended.

The written accounting manual/policies and procedures must be available for review by fiscal monitors upon request.

A primary responsibility of an organization's directors and officers is to hold the organization accountable to its contributors, members, the public and government regulators for its programs and finances. It is therefore essential for the directors and officers be given the opportunity to review and approve the written accounting manual/policies and procedures prior to publishing it to ensure that systems are in place to allow for adequate control.

An expected topic is:

Internal Controls – Internal controls are systems of policies and procedures that protect the assets of an organization, create reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations.

These Internal Control systems are not only related to accounting and reporting but also relate to the organization's communication processes, both internally and externally.

Procedures for Internal Control may discuss:

- Handling funds received and expended by the organization
- Preparing appropriate and timely financial reporting to board members, officers and the grantors of funds
- Conducting the annual audit of the organization's financial statements
- Evaluating staff and programs
- Maintaining inventory records of real and personal property and their whereabouts
- Implementing personnel and conflicts of interest policies.

What Policy Requirements can be found in the *State of Maryland Policies and Procedures Manual for Local Management Boards*?

The State of Maryland Policies and Procedures Manual for Local Management Boards outlines a number of policies to be addressed in grant/subgrant recipients' manuals.

Topics discussed are:

- ▣ Cash Management
- ▣ Separation of Duties
- ▣ Internal Controls
- ▣ Authorization Level/abilities
- ▣ Custody of assets
- ▣ Record Maintenance
- ▣ Cash Disbursements
- ▣ Cash Receipts
- ▣ Vendor Record Maintenance (including W-9 policy)
- ▣ Check Signing Practices
- ▣ Cash Reconciliation
- ▣ Bank Reconciliation
- ▣ Petty Cash

Are there any special guidelines specific to Return, Diversion, CSI, LCC Flex, Rehab Option, Family Preservation and other programs as identified in agreements ?

Special Guidelines exist for Return, Diversion, CSI, LCC Flex, Rehab Option, Family Preservation and other programs as identified in agreements.

For these programs, grant/subgrant recipients must use pre-numbered authorization forms (as detailed in the State LMB Manual) for participant expenses under Return, Diversion, CSI, LCC Flex, Rehab Option, Family Preservation programs and other programs as identified in agreements. This allows monitors to ensure that expenses are fully documented and are consistent with Plans of Care.

Grant/subgrant recipients are responsible for establishing three levels of spending authorization for purchases related to the Plans of Care for these programs.

For additional information please refer to the LMB Manual.

What do grant and subgrant recipients need to know about Expense Reports?

Grant/subgrant recipients should have policies in place to ensure that expense reports provide adequate documentation to support the funding of employee activities under the grant/subgrant.

For example, mileage expenses should clearly show a link to the grant related activity to include a detailed description.

It is not sufficient to use the word training only. The name and type of the training and location information should be included.

If the activity is client related, a client identifier should be included, such as a name (an abbreviated version) or a case number as well as some location information.

What is OCF's policy on the provision of Meals?

OCF recommends that grant/subgrant recipients have documented meal/travel expense policies to ensure that controls are in place.

The policies should be applied uniformly throughout the grant/subgrant recipient's entire organization.

In other words, an overall policy should exist and should not be unique to the grant or any staff person working under the grant (unless it is prescribed by or limited specifically under the grant award).

When developing Meal policies it is important for a subrecipient to consider that the Frederick County Office for Children and Families (OCF) requires its grant/subgrant recipients to follow the fiscal practices/cost principles outlined in:

The State of Maryland Policies and Procedures Manual for Local Management Boards

Web address: <http://www.ocyf.state.md.us/>

The Federal Office of Management and Budget - 2 CFR Part 230 Cost Principles for Non-Profit Organizations (previously OMB Circular A-122)

Web address:

http://www.whitehouse.gov/omb/fedreg/2005/083105_a122.pdf.

According to these resources, meal and travel related expenses reimbursed under grants/subgrants must be “reasonable” and “prudent”.

These terms benefit the grant/subgrant recipients as it creates opportunities for greater local control and allows award recipients to develop and adjust their own unique practices to fit their organization, location, and changing community conditions.

When grant/subgrant recipients are monitored, the monitor will review expenditures recorded against awards to ensure that they meet the “reasonable and prudent test.”

The interpretation of the terms “reasonable” and “prudent” can vary dramatically by individual. It is therefore critical that organizations administering LMB/OCF awards establish and adopt standard meal/travel expense policies to eliminate any ambiguity for staff.

Are there any Meal Limitations to consider?

Meals should only be offered at a meeting or training if it is demonstrated to be necessary.

Location, time constraints, or disruption to business can make meal provision necessary.

It is not appropriate to purposefully schedule a meeting or training at a “meal time” so that a meal can be purchased with grant funds.

However, if a meeting or training is lengthy, and pausing to disburse for a meal period would be disruptive, the provision of a meal could be justified.

Rationale:

The grant/subgrant recipient could document that it was impractical for participants to obtain lunch on their own due to the disruption it would cause to the meeting.

The grant/subgrant recipient could demonstrate that the isolated location/distance to eateries prevented participants from obtaining meals on their own.

What are the requirements for Meal Supporting Documentation ?

For meals purchased for training and meeting activities the following should be included with the transaction back up:

- Attendance
- The start and finish times of the event
- An agenda.

These items should help substantiate the necessity of the provision of a meal.

Receipts must include sufficient detail to document:

- What items were purchased
- When the purchases were made
- Why the purchases were made (supporting documents to demonstrate the necessity/link to a grant benefit should be included with support files).

A credit card slip without detail is NOT sufficient back up for a meal expense.

Meals reimbursed with grant funds should NOT include alcoholic beverages

Are Program Participant Incentive/Assistance Plans Allowed?

Grant/Subgrant recipients may seek to enhance program offerings by adding incentive or assistance plans that benefit program participants.

All Program Participant Incentive and Assistance Plans must be documented and approved by the Director of the Office for Children and Families prior to the implementation of the plan. The plan must demonstrate that funds will be fully expended by the close of the award period.

The Program Participant Incentive and Assistance Plans must allow for adequate tracking of the expenditures.

An acceptable plan for incentives/assistance should at minimum demonstrate the approximate number of participants that would benefit and the estimated cost per person for the incentives/assistance (include a per person cap).

What are the tracking requirements for a grant funded incentive and/or family assistance program?

The agency managing the grant funded incentive and/or family assistance program should implement a system for tracking an identifier for the recipients of incentives/assistance. This could include recipient names or case numbers.

The system for tracking should be discussed in the Program Participant Incentive and Assistance Plan provided to the OCF Director for review.

A tracking log in which incentive/assistance recipients sign to acknowledge receipt of the gift cards is an appropriate means of tracking activity.

If an inventory of items remains at the end of an award year, grant/subgrant recipients must ensure that expenses for the undistributed items had not been reported against the grant award. Grant/subgrant recipients must credit back or repay grantor if undistributed items had been expensed against the grant.

All disbursements should be reconciled against the initial purchase receipts.

At times, it may be appropriate to track disbursement through a pattern of distribution.

Attendance and other evidence of this pattern of distribution should be clearly documented with disbursements reconciled against the initial purchase amounts and any remaining inventory.

Incentive/ Assistance distribution must occur during the year the expense was recorded.

Grant/subgrant recipients are expected to provide evidence to demonstrate that items purchased and reported as expenses under a grant have been distributed during the year against which they had been reported. (demonstrate that expenses recorded under a grant were used for the benefit of the grant during the grant's award period.)

How should equipment purchased with grant funds be managed?

Prior to the start of an award, any equipment to be purchased with grant funds should be discussed in the budget narrative for approval .

As purchases are made, the grant/subgrant recipients should maintain a comprehensive equipment inventory record which should be available for review by fiscal monitors.

This inventory may be evaluated during the monitoring process and equipment purchased may later be claimed by the grantor at/through grant close-out process. (Reclamation of Assets)

How are Grant/Subgrant Recipients Paid?

Grant/Subgrant Recipients are generally paid on a quarterly reimbursement basis upon receipt of fiscal and programmatic reports.

However, payments may be made on a monthly or quarterly schedule if agreed to in writing by OCF.

Grantees/Sub grantees are required to provide detailed back-up along with their report for monitoring.

The back-up documentation could include a General Ledger Report or Transaction Detail Report that relate to the amount charged against the grant by line.

Quarterly Report Template



AWARD NAME AND AMOUNT FY2008 State or Federal Funding Source



Agency Name: _____
Address, City, State, Zip: _____
Contact Person: _____
Email: _____

Contract Period: _____
Reporting Period: _____
Phone: _____
Fax: _____

	BUDGET	Qtr 1 Expenditures 7-1-07 - 9-30-07	Qtr 2 Expenditures 10-1-07 - 12-31-07	Qtr 3 Expenditures 1-1-08 - 3-31-08	Qtr 4 Expenditures 4-1-08 - 6-30-08	YEAR-TO-DATE EXPENDITURES	BALANCE
Salaries						- \$	-
Fringe Costs						- \$	-
Communications						- \$	-
Postage						- \$	-
Business Travel						- \$	-
Training						- \$	-
Conferences/Conventions						- \$	-
Utilities						- \$	-
Advertising						- \$	-
Accounting/Auditing (A/A)						- \$	-
Legal						- \$	-
Consultant (other than legal & A/A)						- \$	-
Supplies						- \$	-
Equipment						- \$	-
Leased Equipment						- \$	-
Insurance						- \$	-
Rent/Mortgage						- \$	-
Renovation/Remodeling (attach detail)						- \$	-
Printing/Duplication						- \$	-
Professional Dues/Publications/Subscriptions						- \$	-
MIS-Repairs/Maintenance						- \$	-
Vehicle - operating (other than Insurance)						- \$	-
Indirect Cost						- \$	-
TOTALS:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Signature of Agency Representative (sign in blue ink)

Date

This Report is Due to OCF by Noon on the Following Dates:

1st Quarter Report --

2nd Quarter Report --

3rd Quarter Report --

4th Quarter Report --

Final Year End Report is Due:

Does OCF ever Advance payments?

The LMB/OCF does not generally provide advance payments (funding granted in excess of reported expenditures) to its grant/subgrant recipients.

In the event that the LMB/OCF does provide advance funding, the grant/subgrant recipient would be required to:

- Earn and record interest on the advance
- Report the interest income earned to the LMB
- Render the interest income to the LMB upon the close of the fiscal year.

The LMB is required to deposit interest income into its Earned Reinvestment account.

A separate record for interest earned is to be maintained for grant/subgrant funds.

If the grant/subgrant recipient can document that the cost of tracking interest earned exceeds the interest to be earned, or if the interest to be earned is immaterial, then this requirement may be waived.

Requests to waive this requirement should be made in writing to the Director of OCF.

What is the Fiscal Monitoring process?

When a grant/subgrant recipient accepts funds awarded through the LMB/OCF, the grant/subgrant recipient agrees to give a representative of the BOCC and/or its authorized OCF/LMB representatives access to and the right to review any supporting document.

Supporting documentation includes but is not limited to all records relating to the operation of the grant/subgrant recipient's programs funded through the LMB/OCF.

The records must remain available for a period of five (5) years after:

- The completion of the grant/subgrant recipient award period
- The final payment by OCF or
- Any other applicable statute of limitations, whichever is longer.

The allocation methods used to assign any actual indirect costs to the grant/subgrant recipient award must be documented in detail and made available for review.

The grant/subgrant recipient must permit monitors to make excerpts or transcripts from or photocopies of all records as deemed appropriate.

The grant/subgrant recipient also must allow the representative of the BOCC and/or its authorized OCF/LMB representatives access to the independent CPA firm hired by the grant/subgrant recipient to examine any of the CPA firm's working papers for the review period.

Quarterly Fiscal Monitoring

- ❑ OCF has implemented a QUARTERLY FISCAL MONITORING process to fulfill state fiscal monitoring requirements.
- ❑ The QUARTERLY FISCAL MONITORING is generally a Desk Top review process. However, OCF reserves the right to perform on-site monitoring visits as needed throughout the year.
- ❑ OCF requires Grantees/Sub grantees to submit report back up so that the QUARTERLY FISCAL MONITORINGS process can be completed.

The Quarterly Fiscal Monitoring Tool



FREDERICK COUNTY
OFFICE FOR CHILDREN AND FAMILIES
CURRENT FISCAL YEAR



QUARTERLY FISCAL MONITORING REPORT (OCF FORM 1001A)

FISCAL YEAR: _____ QUARTER: _____

VENDOR NAME: _____

AWARD NAME: _____

AMOUNT OF AWARD: _____

SECTION A.

DOES THE BUDGET ON THE REPORT AGREE WITH THE MOST RECENT SIGNED BUDGET ON FILE? YES NO
Comments: _____

ARE THE REPORTED EXPENSES WITHIN BUDGET? YES NO
Comments: _____

DO TOTALS BY LINE IN THE BACK UP MATCH THE TOTALS SHOWN ON THE REPORT BY LINE? YES NO
Comments: _____

DO THE TRANSACTIONS SHOWN ON THE BACK UP APPEAR TO BE APPROPRIATE TO THE GRANT
AND TO HAVE BEEN CODED TO THE CORRECT CATEGORIES/LINES? YES NO
Comments: _____

PROCEED TO SECTIONS B AND C ONLY IF "NO" WAS CIRCLED FOR ANY OF THE QUESTIONS IN SECTION A OR IF THIS
MONITORING IS A SPECIALLY SCHEDULED MONITORING FOR A VENDOR RECEIVING OVER \$100,000.

SAMPLE THE CURRENT QUARTER'S CHARGES:

Suggested Method: Identify charges equal to 10% of each budget line's total expended for this quarter and request back up for the transactions from the vendor.

*List the identified transactions in Section B. Then answer questions in Section C in the format provided.
Use appropriate space for comments and attach pages if additional space is needed.*

SECTION B.

	TRANSACTION DATE	IDENTIFYING NAME	TRANSACTION AMOUNT
1	_____	_____	_____
2	_____	_____	_____
3	_____	_____	_____
4	_____	_____	_____
5	_____	_____	_____

6	_____	_____	_____
7	_____	_____	_____
8	_____	_____	_____
9	_____	_____	_____
10	_____	_____	_____

SECTION C.

Answer Y for Yes, N for No or N/A for Not Applicable for each of the following questions as applied to the above transactions.

- Was the vendor able to provide requested back up?
- Does the charge appear to be in the appropriate budget category?
- Does the charge appear to be appropriate for the grant?
- Was an allocation method used?
- If an allocation method was used, can the sub awardee explain their method?
- Was the method pre-approved by the Office for Children and Families or does it at least appear to have been developed using an appropriate fact-based or usage-linked calculation?

1. a- _____ b- _____ c- _____ d- _____ e- _____ f- _____ Comments: _____

2. a- _____ b- _____ c- _____ d- _____ e- _____ f- _____ Comments: _____

3. a- _____ b- _____ c- _____ d- _____ e- _____ f- _____ Comments: _____

4. a- _____ b- _____ c- _____ d- _____ e- _____ f- _____ Comments: _____

5. a- _____ b- _____ c- _____ d- _____ e- _____ f- _____ Comments: _____

6. a- _____ b- _____ c- _____ d- _____ e- _____ f- _____ Comments: _____

7. a- _____ b- _____ c- _____ d- _____ e- _____ f- _____ Comments: _____

8. a- _____ b- _____ c- _____ d- _____ e- _____ f- _____ Comments: _____

9. a- _____ b- _____ c- _____ d- _____ e- _____ f- _____ Comments: _____

10. a- _____ b- _____ c- _____ d- _____ e- _____ f- _____ Comments: _____

MONITOR'S SIGNATURE _____

MONITOR'S PRINTED NAME AND TITLE _____

DATE COMPLETE _____

Through the monitoring process, the fiscal monitor will be answering the following questions shown under Section A of the monitoring document:

- *Does the budget on the report agree with the most recent signed budget on file?*
- *Are the reported expenses within budget?*
- *Do totals by line in the back up match the totals shown on the report by line?*
- *Do the transactions shown on the back up appear to be appropriate to the grant and to have been coded to the correct categories/lines?*

- The OCF Fiscal monitor is required to sample transactions from any vendor that has a “NO” response for any of the Section A questions (see previous page).
- All vendors who receive over \$100,000 from OCF can also expect to have transactions sampled at various points throughout the award period and potentially beyond the award period (up to five years).
- Sampling will include requests for copies of invoices, payroll records, journal entries, expense reports etc. - depending on which transactions are identified for review.

Once OCF receives supporting documentation for the sampled items, the monitor will review the documents and answer the following:

- *Was the vendor able to provide requested back up?*
- *Does the charge appear to be in the appropriate budget category?*
- *Does the charge appear to be appropriate for the grant?*
- *Was an allocation method used?*
- *If an allocation method was used, can the sub awardee explain their method?*
- *Was the method pre-approved by the Office for Children and Families or was it at least calculated using an appropriate basis?*

Training

Want to learn more?

Frederick County has benefited from the courses offered by Management Concepts.

Management Concepts is a Licensed Institution of Higher Education is based in Vienna, VA and offers grants management courses that can be taken individually by interest and need or in pursuit of a Grants Management Certificate.

Classes are offered at a variety of times and locations throughout the year and provide an excellent foundation in grants Management.

The Management Concepts website address is:
www.managementconcepts.com

Questions?

Contact the Frederick County Office for Children and Families (OCF) Fiscal Manager @ 301-600-1353 or call the main OCF number 301-600-3533 for assistance.